



# ABSTAINERS' INSURANCE COMPANY

ANNUAL REPORT 1971

AR05

## GROWTH FACTS

### GROSS PREMIUMS WRITTEN

|      |            |
|------|------------|
| 1965 | \$ 980,224 |
| 1968 | 2,495,743  |
| 1971 | 3,022,694  |

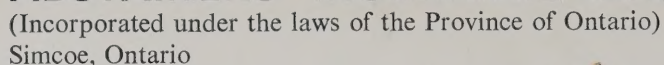
### CLAIMS INCURRED

|      |            |
|------|------------|
| 1965 | \$ 511,295 |
| 1968 | 1,411,309  |
| 1971 | 1,969,857  |

### INVESTMENT INCOME AND CAPITAL GAIN

|      |           |
|------|-----------|
| 1965 | \$ 64,256 |
| 1968 | 232,389   |
| 1971 | 254,501   |





## as at December 31, 1971 (with comparative figures for 1970)

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## STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

For the Year ended December 31, 1971  
(with comparative figures for the year 1970)

|                   | 1971               | 1970               | STATEMENT OF PROFIT AND LOSS   | 1971        | 1970         |
|-------------------|--------------------|--------------------|--|-------------|--------------|
| Balance . . . . . | \$ —               | \$ 32,608          | Written premiums (less reinsurance) . . . . .  | \$2,870,403 | \$2,987,171  |
| . . . . .         | 1,743,566          | 1,911,350          | Earned premiums . . . . .  | \$2,893,268 | \$2,944,617  |
| . . . . .         | 1,117,404          | 1,140,269          | Claims and adjustment expenses . . . . .   | \$1,969,857 | \$2,587,093  |
| . . . . .         | 49,767             | 56,137             | All other expenses . . . . .   | 920,695     | 935,790      |
| . . . . .         | 53,596             | 46,736             |  | \$2,890,552 | \$3,522,883  |
| rued . . . . .    | 31,020             | 69,159             | Net underwriting profit (loss) . . . . .   | \$ 2,716    | \$ (578,266) |
| ers . . . . .     | 360,600            | 345,370            | Income from investments less<br>interest paid on reinsurance<br>deposit and investment<br>counsel expense . . . . .  | 254,007     | 229,541      |
| . . . . .         | <u>\$3,355,953</u> | <u>\$3,601,629</u> | Profit from sale of investments . . . . .  | 494         | 2,199        |
| US                |                    |                    | Net profit (loss) before taxes on income<br>Corporation income tax provision<br>(Notes 2 & 3) . . . . .              | \$ 257,217  | \$ (346,526) |
| . . . . .         |                    |                    |  | 102,768     | 1,632        |
| . . . . .         |                    |                    | Net profit (loss) before extraordinary<br>item . . . . .   | \$ 154,449  | \$ (348,158) |
| . . . . .         |                    |                    | Extraordinary item — reduction<br>in income tax provision due to<br>loss carry forward from<br>prior years . . . . . | 101,270     |              |
| . . . . .         |                    |                    | Net profit (loss) for the year . . . . .   | \$ 255,719  | \$ (348,158) |
| . . . . .         |                    |                    | Profit (Loss) per common share after<br>preferred dividends<br>Before extraordinary item . . . . .                   | \$1.14      | \$ (2.83)    |
| . . . . .         |                    |                    | For the period . . . . .   | 1.94        | (2.83)       |
| . . . . .         |                    |                    | STATEMENT OF EARNED SURPLUS  |             |              |
| . . . . .         |                    |                    | Balance — January 1st. . . . .   | \$ 331,326  | \$ 721,138   |
| . . . . .         |                    |                    | Net profit (loss) for the year . . . . .   | 255,719     | (348,158)    |
| . . . . .         |                    |                    |  | \$ 587,045  | \$ 372,980   |
| . . . . .         |                    |                    | Dividends paid on preference<br>shares . . . . .   | \$ 10,000   | \$ 10,000    |
| . . . . .         |                    |                    | Dividends paid on common shares . . . . .  | 31,654      | 31,654       |
| . . . . .         |                    |                    |  | \$ 41,654   | \$ 41,654    |
| . . . . .         |                    |                    | Balance — December 31st . . . . .  | \$ 545,391  | \$ 331,326   |

### Notes to the Financial Statements:

1. The fees received during the year by the directors amounted to \$5,400. In addition, the remuneration received during the year by the five highest paid officers and employees, including one director, amounted to \$72,712.
2. The company has losses totalling \$292,810 deductible from taxable income in future years.
3. The provision for unearned premiums decreased in 1971 resulting in a lesser deduction for tax purposes than that recorded in the accounts. In previous years the taxable income has been decreased by the deduction of unearned premiums in excess of the provisions recorded in the accounts. The accumulated amount of deferred income taxes at current rates resulting from the claiming of the excess for tax purposes is \$99,323 after a reduction of \$2,101 resulting from the provision for the current year. Due to the contingencies involved this amount is not recorded as a liability in the accounts.

arly the financial position of the company  
ns for the year then ended, in accordance  
d on a basis consistent with that of the

RS, SAVAGE, HORNE & RONSON  
Chartered Accountants



# Report to Shareholders

On behalf of your Board of Directors, I submit the Company's Annual Report and the Audited Statement for the year ended December 31, 1971.

Net earnings were restored in 1971 primarily due to two factors:

- (1) Claims were reduced by 24% over 1970, in comparison to only a 2% reduction in earned premiums.
- (2) A much better investment climate developed in 1971, particularly in the last quarter.

Net profit for the year 1971, after payment of dividends on Preferred Shares, was \$245,719 or \$1.94 per Common and Voting Trust share. Had normal income tax been payable, profit would have been \$1.14 per share.

The effect of inflation on old claims for the company was finally brought under control in 1971, although there was some deterioration of old losses in the Province of Alberta. New claims procedures, and a revision of rates in Alberta and Ontario, enabled the Company to reduce its ratio of claims to earned premiums from 88% in 1970 to 68% in 1971, thereby providing an underwriting profit for the first time since 1968. These measures should continue to strengthen the Company for the future.

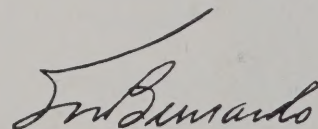
Sales in the Fire and Personal Property Department increased by 23% over 1970, while claims exceeded those of 1970 by 10%, enabling this department to show a profit for the first time.

Investments as of December 31, 1971 had a book value of \$4,132,850. Investment income from dividends and interest increased from \$229,541 in 1970 to \$254,007 in 1971. The market value of all stocks exceeded the book value by \$6,000, but the market value of the total portfolio, including bonds, was \$21,000 less than the book value, which represents a deficit of one-half of 1%. The annual yield on the cost price of investments in 1971 was 6.42%.

The Company has no longer any auto insurance in force in Manitoba because of the provincial government take over of most auto insurance business in the province as of November 1, 1971.

No rate increases have been introduced in either Ontario or Alberta for 1972, and no substantial increase is anticipated in automobile insurance rates during the entire year. Our objective is to become more competitive in 1972, and reinstate the growth pattern, which was temporarily suspended in order to regain a profitable base in 1971.

Yours faithfully,



S. R. BERNARDO,  
President.

## OFFICERS

R. B. Hare, M.D.; F.R.C.S., *Chairman of the Board*  
S. R. Bernardo, *President*  
R. G. Groom, Q.C., *Vice President*  
J. D. McNie, *Vice President*  
R. S. Mills, Q.C., *Secretary*  
S. M. Fletcher, *Treasurer*  
C. A. Blair, *Managing Director*

## DIRECTORS

|                            |                   |
|----------------------------|-------------------|
| S. R. Bernardo             | J. D. McNie       |
| C. A. Blair                | R. S. Mills, Q.C. |
| J. H. Disher               | A. M. Waters      |
| S. M. Fletcher             | J. G. Webb        |
| R. G. Groom, Q.C.          | P. L. Wilson      |
| R. B. Hare, M.D.; F.R.C.S. |                   |



**ABSTAINERS' INSURANCE COMPANY, 24 Peel Street, Simcoe, Ontario**

*The only Canadian Company providing automobile and fire insurance exclusively to abstainers.*